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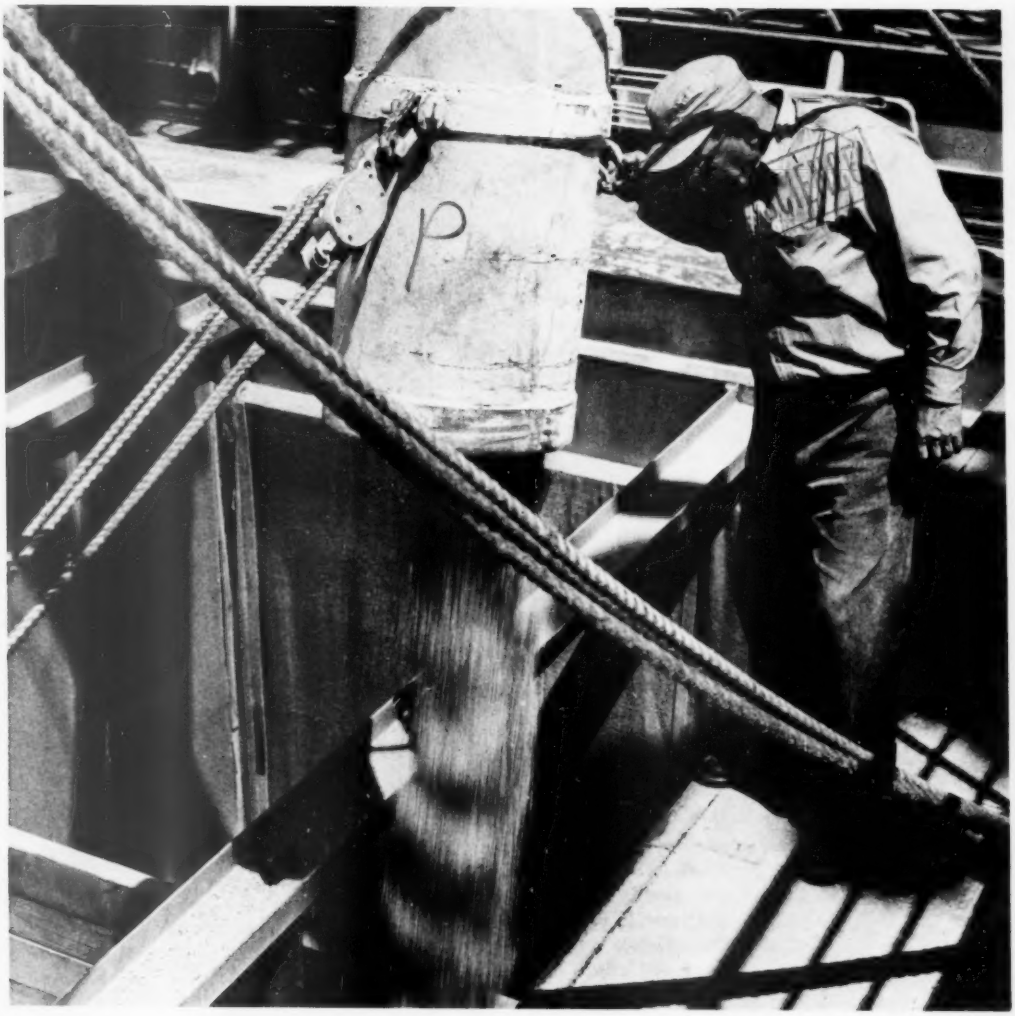

July 5, 1971

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Changes in Canadian Grain Policy

West German Farm Policies And the Common Market

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

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In this issue:

2 Canada: Major Changes in Grain Policies Advance By Gordon H. Lloyd

6 U.S. Sales of Tobacco to Britain Drop in 1970

7 Paraguay's Crops and Exports Cut by Floods

8 West Germany's Farm Policies Have Growing Impact on EC By George A. Parks

10 Italy: $70-Million Market for U.S. Soybeans By A. Paul Danyluk

12 News Briefs

13 Crops and Markets

16 EC Prospects for British Apples and Pears

This week's cover:

Loading Canadian grain for export. For details of shifts in Canadian grain policies see article beginning this page.

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CANADA: M

GRAIN P

MAJOR CHANGES IN N POLICIES ADVANCE

By GORDON H. LLOYD
Grain and Feed Division
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Drawing on lessons learned in an erratic world market, Canadian officials are continuing attempts of the past year to bring stability to their country's huge grain industry. These efforts involve major changes in Government policy, with the goal of reducing burdensome wheat stocks, stabilizing farmers' returns, and making wheat and other grains more competitive exports.

Launched in 1970 with an emergency stock-reduction program, the policy shifts most recently have included the beefing up of certain staff functions of the Canadian Wheat Board and creation of a Canadian Grain Institute. In addition, further refinements have been made in already implemented or proposed programs, including—

- Release of details on wheat and grade standards developed under the new Canada Grain Act;
- Legislation to amend the Prairie Grain Advance Payment Act so as to improve feedgrains' position vis-à-vis wheat; and
- Legislation to implement proposals for stabilizing farmers' incomes in years of reduced export demand.

These mounting changes reflect the Canadian experience in a seesawing world wheat market, which after luring farmers into expanding production turned suddenly downward and left them stranded with unmanageable stocks and reduced incomes—a situation that clearly revealed the necessity for adjustments in traditional Canadian grain policies.

The problems began in the mid-1960's, when world trade in wheat had soared to a record level of about 2 billion bushels, and Canada was accounting for some 25 percent of the total. It was a sellers' market made stronger by worldwide concern over a foodgrain shortage in Mainland China and India and fears that even more severe ones loomed on the horizon for the developing world. To meet the strong export demand, Canadian producers expanded wheat area, pushing it to a record 30 million acres in 1967.

But about the time record acreages had come into production, demand began to slacken, and it continued to do so for the next 3 years. Shipments to the USSR and Eastern Europe declined sharply as these countries recovered from previous grain shortfalls. And sales to Europe tended downward as Canadian wheat faced increased competition from high protein wheat of other countries. Also, European millers improved milling techniques to the point where they could blend more domestic wheat with the higher quality imported wheat.

In response to the changing situation, Canadian farmers reduced their wheat plantings from the 1967 peak to 25 million acres in 1969, only to have favorable weather counter the reduction and boost production 15 percent above the 1967 level.

With production up but exports off, stocks rose to over a billion bushels on July 31, 1970—an amount greater than export and domestic requirements for 2 years. Putting it another way, this equaled 47 bushels of wheat for each person in Canada, or more than 10 times the U.S. per capita carryover that year of 4 bushels.

Commercial storage was filled nearly to capacity, causing difficulties in moving the proper type of grain to port in time for shipment, and farm stocks were up to 543 million bushels—more than double the average for the previous 5 years.

Because of the reduced export demand, producers in 1969–70 were permitted to market only 413 million bushels—the lowest level since 1961–62. The resulting combination of low cash income and a high investment in stocks created economic hardships for Canadian farmers, as well as problems for other sectors of the economy.

The Federal Government was under considerable pressure for assistance. The Government responded with Operation LIFT (Lower Inventory for Tomorrow), a program designed to reduce stocks by removing land from wheat production for 1 year—1970. Farmers who put wheat acreage into summerfallow or perennial forage received Federal payments of $6 or $10 per acre, respectively, and their wheat delivery quotas were based on total acreage of summerfallow and net addition to forage, not on acreage seeded to wheat.

The program's effectiveness was increased by poor weather at seeding time, and the number of participating producers rose to 94,225, with payments to them totaling Can$55.4 million. The net result of these measures was an increase of 8.3 million acres in summerfallow and 1.7 million in forage and a 12.5-million-acre reduction in wheat area. While the goal of reducing stocks to 650 million bushels by July 31, 1971, will not be achieved, the combination of reduced production and a fairly strong export demand will cut stocks by some 250 million bushels.

These steps alone, however, were hardly enough.

The Canadian Wheat Board, which had been subjected to remarkably little criticism since its formation over 35 years ago, found itself under increasing pressure because of the reduced exports, large carryover, and lower farm income. One of its first responses to this pressure was the creation of the Canadian Grain Marketing Review Committee to make an extensive examination of Canadian grain marketing, with special emphasis on wheat.

The Committee was headed by Dr. M. W. Menzies, a prominent Canadian economic and grain policy consultant, and was composed of the following

members: Dr. John Schnittker, professor of economics, Kansas State University, and former U.S. under secretary of agriculture; A. P. Van Stolk, president of Van Stolk's Koninklijke Commissiehandel, Rotterdam, and a grain market advisor to the European Community; Vernon Lester, president of Powell-Lester, a Vancouver-based grain exporting firm; A. T. Baker, former general manager of the Alberta Wheat Pool; and Dr. J. L. Leibfried, executive assistant to the Canadian Wheat Board.

The Committee's report, released to the public in March of this year, offered a number of recommendations, several of which have already been implemented. Among these were recommendations that—

- A permanent Grain Policy Group be established to generate proposals and make firm recommendations to the Government. The committee would include representatives from all segments of the grain industry, producer representatives having a majority position;
- The Government establish an income stabilization program with funds provided on a regular basis by producers and the Government (legislation along that line was introduced in the House of Commons on April 29 and will be discussed later in this article);
- Production policies aim for a wheat stockpile of no more than 450 million bushels, with commercial stocks not exceeding 200 million and farm stocks not over 250 million.
- Quality standards for wheat and protein grading be introduced as rapidly as possible (already underway).

The pressures on the Wheat Board also led to changes in its organizational structure. Effective April 1, 1971, these changes included expansion in some of the key operating departments such as Market Analysis and Development and Grain Transportation.

The Board is to emphasize development of more highly integrated marketing policies and programs for western Canadian grain and to provide producers information on market outlook so that they will be able to decide which crop will be most advantageous to plant. In line with the latter policy, the Board this year for the first time announced the initial wheat prices and minimum quotas prior to planting.

Then in the following month—on May 13—came the joint announcement from Otto E. Lang, minister responsible for the Canadian Wheat Board, and H. A. Olson, minister of agriculture, that a Canadian Grains Institute would be established. To be located in Winnipeg, the Institute will offer foreign and Canadian participants practical courses on every aspect of the grain industry—production, handling, transportation, marketing, management, economics, and technology of grains and oilseeds. Overseas participants will come from countries now importing Canadian grains or ones that may in the future become customers.

The additional recent changes in Canadian grain policy involve further clarifications and legislation for programs proposed last October by Mr. Lang (*Foreign Agriculture*, Dec. 14, 1970).

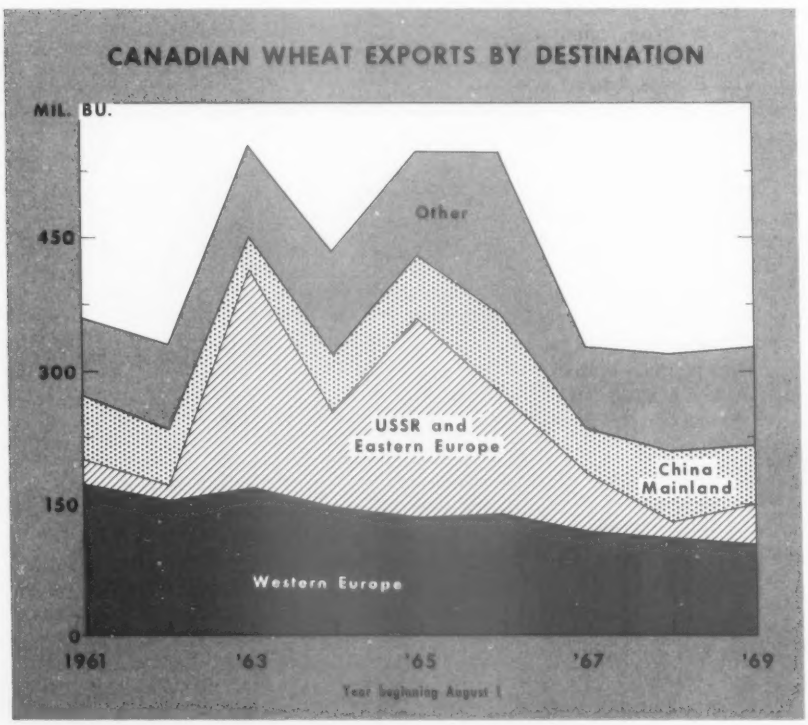
One of his proposals had been a new Canada Grain Act that would cut through the legislative red tape of the former Act to allow quick changes in Canadian quality standards—a major purpose being to show protein content and thus make the wheats more competitive in the export market with U.S. and other wheats. The new Act was passed by Parliament in late 1970 (*Foreign Agriculture*, March 1, 1971).

Administered by the Canadian Grain Commission (CGC), formerly the Board of Grain Commissioners, the Act already has led to the establishment of five grades to replace the existing eight grades for Canadian spring wheat. These are Canada Western Red Spring (CWRS) Nos. 1, 2, and 3; and Feed Wheat Nos. 1 and 2.

The new No. 1 CWRS will combine the present No. 1 Hard, No. 1 Northern, and No. 2 Northern. The old No. 3 Northern and the top quality of No. 4 Northern will comprise the No. 2 CWRS. The No. 3 CWRS will contain the remaining part of No. 4 Northern and all of No. 5 wheat. Nonmilling-quality wheat will make up the two grades of feed wheat.

To make these changes with a minimum of disruption to the marketing and handling system, the new grades will be phased in over the next 2 years. Effective August 1, 1971, purchases of the present top three grades will be discontinued, and wheat of this quality will then be graded No. 1 CWRS. The other existing grades will remain unchanged for 1971–72.

On arrival at terminal elevators, the new grades will be segregated according to protein determination, thus enabling the Canadian Wheat Board to offer wheat at specific protein levels.



The Wheat Board is moving promptly to make sure that all potential buyers are aware of and fully undersand the new grade specifications. Recognizing the importance of personal contact with buyers, the Board sent marketing teams to 39 countries during October 1970–March 1971, and in April two other teams visited Western Europe and Central America. By the time the program is completed, a total of 54 countries will have been visited.

These teams supplement the selling missions of the Wheat Board Commissioners and sales officers. At the present, the Wheat Board has offices in London and Tokyo.

To strengthen these and other marketing efforts, the Federal Government has agreed to finance up to Can$10 million annually for market development and export promotion of Western Canadian grain and oilseeds. The establishment of the Canadian Grains Institute is part of this effort.

Another proposal made by Minister Lang and now being implemented is removal from the Prairie Grain Advance Payment Act the bias in favor of wheat, as has already been done in the delivery quotas. This is one more step in the Government's plan to increase the attractiveness of feedgrains, especially barley.

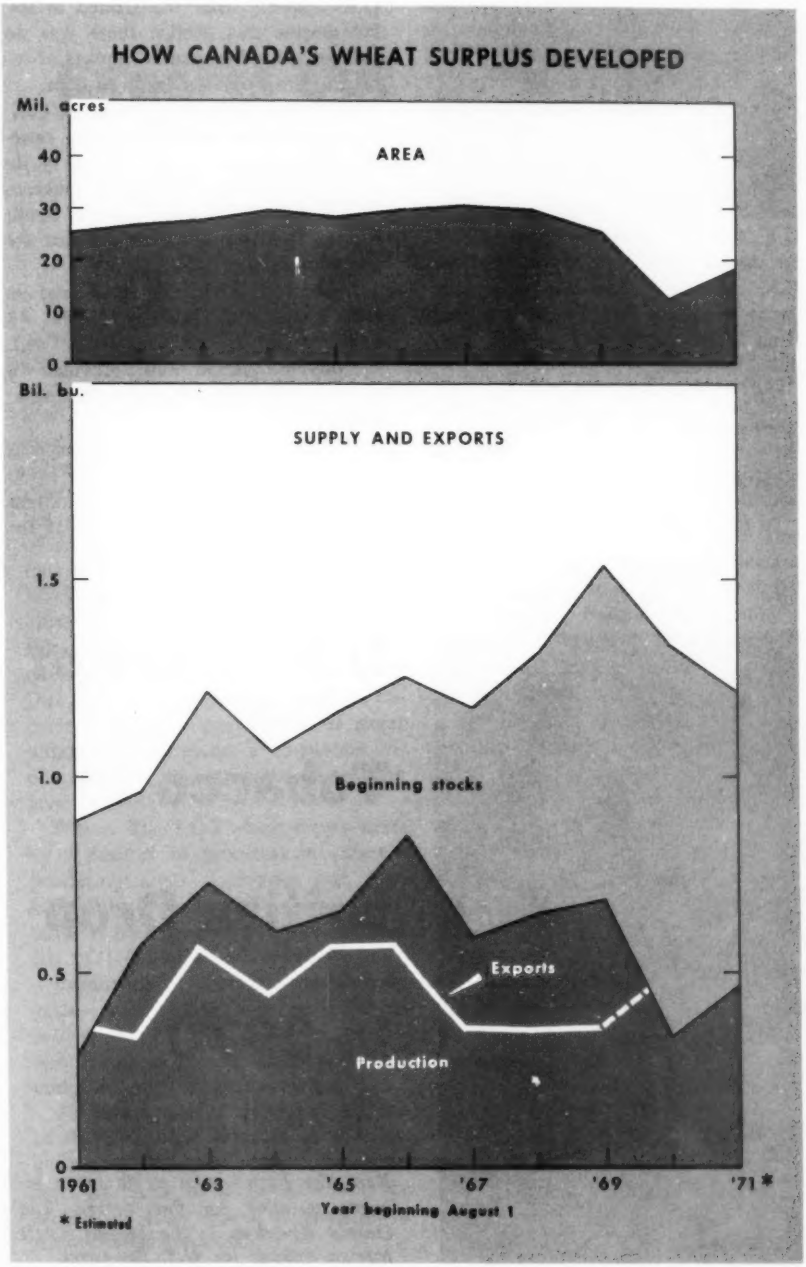
Following the success of Operation LIFT, the Government unveiled a new forage program than will offer prairie grain producers Can$10 an acre to switch crop and summerfallow acreage into forage. The program is completely voluntary and will apply for 3 years, or to a maximum of 4 million acres, whichever limit is reached first.

To qualify, farmers will be required to increase forage acreage by seeding land that was cultivated and not in perennial forage the previous year. The purpose of the program is to raise forage production to meet the needs of Canada's expanding livestock industry and to strengthen and stabilize grain prices by reducing wheat production.

Legislation has also been introduced —on April 29—to implement the Government's proposals for counteracting severe downswings in the Prairie grain economy. Entitled the Prairie Grain Stabilization Act (PGSA), the proposed law calls for payments to grain producers in Western Canada in years when their receipts from the six major grains fall below the 5-year average. If approved by Parliament, it will go into effect August 1, 1971, replacing the Prairie Farm Assistance Act and the Temporary Wheat Reserves Act.

A special payment of Can$100 million would be made for 1970–71 to cover the time when neither the Temporary Wheat Reserves Act or the PGSA would be in effect. The new plan would be financed by contributions from the Federal Government and grain producers, with the Government putting in two dollars for every dollar from producers. Contributions of producers would be 2 percent of their actual sales from eligible crops up to a maximum of Can$300 per producer.

With these measures and others still to come, change has indeed swept the Canadian grain economy—change that is bringing a more aggressive selling policy to Canadian trade, presaging increased competition for the United States in the world grain market.



U.S. Sales of Tobacco to Britian Drop In 1970

For the second year running, total imports of unmanufactured tobacco by the United Kingdom—and the U.S. share of those imports—declined significantly in 1970 after the sharp rise between 1967 and 1968.

Total U.K. imports of all kinds of unmanufactured tobacco last year totaled 283.6 million pounds—21.9 million pounds less than in 1969 and 44.9 million pounds less than the 1968 level.

In 1970, U.K. imports from the United States totaled 116.8 million pounds—17.8 million pounds less than in 1969 and 47.8 million pounds less than in 1968. The U.S. share of total U.K. tobacco imports in 1970 was 41 percent, down from 44 percent in 1969.

The 1968 jump in UK. tobacco imports had occurred when it became apparent there was no immediate solution to Britain's dispute with Rhodesia and U.K. tobacco importers began to build up stocks—then at a low level. Total U.K. imports of unmanufactured tobacco in 1969 rose by 17.5 percent from a year earlier to more than 328.4 million pounds.

The United States was the principal beneficiary of the rise in tobacco imports and purchases of U.S. leaf went up from the 1967 total of 132.6 million pounds to 164.6 million in 1968.

In 1969, however, the British tobacco industry began to seek less expensive sources of leaf while at the same time cutting total tobacco imports. As a result, although total imports in 1969 fell by 7 percent—to 305.4 million pounds —imports from the United States fell by 18 percent—to 134.6 million pounds —and the U.S. share of total imports dropped from 50 percent to 44 percent between 1968 and 1969.

Major new sources were South Africa, Canada, and South Korea.

In 1970 another drop occurred in U.K. imports from the United States; but despite this decline there was no compensating increase in imports of tobacco from Commonwealth sources.

All but a small proportion of U.K. tobacco imports are of flue-cured varieties. The United States is the major U.K. supplier of this type of tobacco, although India, Canada, Malawi, South Korea, Thailand, and South Africa are also sources.

Imports of U.S. flue-cured leaf in 1970 totaled 108.4 million pounds—43 percent of all imports of flue-cured leaf. In 1969 the United States provided 46 percent of all flue-cured imports against 52 percent in 1968.

Total imports of Canadian tobacco in 1970, after having risen in 1969, dropped in 1970 from 56.1 million pounds to 47.4 million. Imports of Indian tobacco went down for the third year in succession to 41.3 million pounds and were 7.1 million pounds lower than in 1969.

Altogether, the total Commonwealth share of U.K. tobacco imports was only 42 percent compared with 45 percent in 1969. In 1965, before the Rhodesian situation had its impact on the United Kingdom's tobacco trade, 64 percent of all unmanufactured imports were of Commonwealth origin.

Shipments from South Korea doubled—from 6.4 million pounds in 1969 to 13.1 million a year later. Imports from Thailand last year totaled 3.9 million pounds—1.3 million pounds above those of 1969. This was a dropoff, however, from 5.7 million pounds in 1968.

There was a further increase in imports last year from Taiwan. Although still relatively small they went up from 490,000 pounds in 1969 to 1.3 million pounds in 1970. Imports from South Africa fell from 16.7 million pounds to 13.6 million during this time.

The United Kingdom is not a significant importer of manufactured tobacco products although in recent years arrivals of both cigars and cigarettes have increased steadily. Total imports of cigars in 1970 amounted to 1.2 million pounds—295,000 pounds higher than in 1969 and 324,400 pounds above 1968 imports.

U.K. imports of cigarettes in 1970 amounted to 2 million pounds—223,-100 pounds higher than in 1969 and 510,800 pounds above 1968.

The largest single source of supply was the United States which provided 1.1 million pounds of cigarettes—239,600 pounds above the 1969 level but only 184,300 pounds above the 1968 level.

In 1970 there was a further increase in U.K. sales of filter-tipped and smaller sized brands of cigarettes. The total number of cigarettes rose from the 1969 level by 2.5 percent to 127,900 million, but fell in terms of tobacco weight to 215.4 million pounds.

The cost of cigarettes is important in encouraging the switch from regular cigarettes to filter-tipped and smaller sized brands. Because the U.K. tobacco tax is levied on the basis of weight, the reduction in tobacco that results from the insertion of a filter or from a reduction of size can make a difference in price of as much as 12 cents per packet compared to the cost of regular cigarettes.

Kentucky farmwomen string green tobacco to stick for flue curing. The United Kingdom is the biggest single foreign market for U.S. flue-cured.

Agricultural expert (second from left) inspects Paraguayan cornfield for rate and quality of growth. (FAO photo.)

Paraguay's Crops and Exports Cut By Floods

HEAVY rains and flooding in early 1971 reduced Paraguay's corn, cotton, rice, and tobacco production and, as a result, exports of all these commodities except rice are expected to be below last year's level. At the same time, however, shipments of most other agricultural export commodities are expected to increase.

Corn. The 1971 corn crop—because of the unfavorable weather—is expected to be down to about 180,000 metric tons from the previous year's approximate production of 200,000 tons. As a result, exports of corn, which were 23,281 tons in 1970, and largely to Brazil, are likely to be less than 10,000 tons in 1971.

Rice. There is increased interest in irrigation of riceland in Paraguay, and some producers are also changing to long-grain Carolina-type rice. Despite these developments, rice production in 1971 is not expected to exceed the 30,000-metric-ton level of the previous year because of excessive late rain.

Exports of rice in 1971 are anticipated to be around 3,000 tons against 200–300 tons in 1970. Most of the 1971 exports will probably be shipped to France. In 1970, Brazil was the major market.

Cotton. It has been reported that up to 40 percent of the 1971 cotton crop was lost to heavy rains and flooding. Also, the quality of the cotton is expected to be poor because of excessive moisture.

Lint production in 1971 is forecast at 25,000 bales (480 lb. net) compared with 57,000 in 1970 and 60,000 in 1969. The result of this drop in production has been sharply rising prices—up about 30 percent—and an expected reduction in exports. In the 1969–70 crop year (beginning August 1), cotton exports were 49,000 bales but included a large carryover from the previous crop.

Tobacco. The initial expectation was for a tobacco harvest close to the record 24,000 tons of 1969, but bad weather has reduced the estimate. In addition, quality is expected to be lower because of poor curing conditions. Tobacco exports were 19,344 tons in 1970, about the same as in 1969, but they are expected to decline this year.

Coffee. Some advances are being made in coffee production such as overhead sprinkling and wind machines to help lessen the impact of frosts. However, production has not increased appreciably. Exports were 1,270 tons in 1970 compared with 1,517 in 1969, but were well below the 5,000–6,000-ton level of the mid-1960's. Exports, however, could be up slightly in 1971.

Sugarcane. The heavy rains, which adversely affected many crops, benefitted sugarcane production. The volume of sugar output could reach 1 million tons if there are no early frosts. This would represent almost a 20-percent increase over last year's output. As a result, as much as 80,000 tons of processed sugar could be produced in 1971. Domestic mills apparently have the capacity to handle this volume of sugar although it represents a 65-percent increase over the estimated processing level of 1970.

Wheat. The 1970 wheat crop—beset by a number of problems in different producing areas—including leaf rust, hail, early drought, and poor seed—totaled 36,000 metric tons. The forecast for 1971 is 38,000–40,000 tons.

Production of wheat has made steady gains—from 9,200 tons in 1967 to 36,000 tons in 1970; however, production seems to have reached a plateau under the price support program.

Producers receive about $85 per ton at the mills, but because of the low level of yields they obtain, this price has not been sufficient to cover the large fixed costs needed to bring about expansion of production.

However, with domestic consumption expanding, wheat imports will be larger in 1971 than the 71,593 tons imported in 1970. In March the United States signed a P.L. 480 agreement with Paraguay for 45,000 tons of wheat. In addition, Paraguay will import some 60,000 tons commercially.

Soybeans. Production of soybeans is a relatively new commercial venture in Paraguay and is a direct spinoff from the Wheat Program—soybeans are often double-cropped with wheat. As a result, soybean production has been increasing rapidly.

Although planting was delayed, production could reach 50,000–55,000 tons in 1971, compared with an estimated 45,000 tons in 1970 and only 14,000 tons in 1968.

Livestock. Increased exports of processed meat and higher domestic prices are leading to concern that Paraguay's cattle numbers may not be adequate to supply both the domestic and export markets in a few years.

There are no reliable statistics, but cattle numbers are currently estimated at 5 million head compared with a high of 6 million in 1968. Registered slaughter for export increased from 141,000 head in 1969 to an estimated 155,000 head in 1970 and is expected to increase again this year. Unregistered slaughterings bring 1970 exports to an estimated 200,000–210,000 head.

By GEORGE A. PARKS
U.S. Agricultural Attaché
Bonn

West Germany's I

Have Growing Imp

The strong economic position of West Germany in the European Community is giving the country new thrust in shaping the direction of its own and Community agricultural policy. In the face of declining agricultural production, Germany seems to be moving toward greater emphasis on marketing and more support for livestock at the expense of grains, although the Government is still guided by past policies and commitments to farmers.

German thinking along these lines is revealed in Agriculture Minister Joseph Ertl's statement to the press, after long price and structural reform negotiations in Brussels, that "the Community can offer support to farmers by regulating trade, but farmers themselves must take decisive steps to adjust to structural opportunities and market situations."

Although agriculture has played a strong supporting role in the German economy since 1961, its total contribution has been sharply limited relative to total economic gains. Gross agricultural (fixed prices) output, for example, in 1970 was about $5.7 billion (converted at official par value) or 17 percent greater than in 1960. This represents an average annual growth rate of 1.58 percent compared with 4.74 percent for the total economy.

This slow agricultural growth rate can be attributed to low, value-added returns from agricultural labor more than to any other factor. Not unique to Germany, this is a critical economic problem that eventually will be solved by adjusting the size, technology, and specialization of farms.

The rate of change of these factors will be rather slow, however; how slow can be judged by the estimated potential growth through 1980. The Federal Ministry of Agriculture, in this year's agricultural report, predicts a declining growth rate for agriculture—down 0.8 percent a year during 1970–75 and 0.7 percent during 1975–80. Any proposed or recommended policy position cannot ignore this economic reality, and the extent of policy shifts will probably be influenced more by such economic considerations than by political compromise or expediency.

A 3.5-percent drop in gross agricultural output in 1970 adversely affected farm income and prompted farm groups, acting with the National Farm Organization (Deutscher Bauernverband), to recommend and actively support an overall 10-percent price increase for all farm products. This proposal also was spurred by the strong inflationary trend that has developed in Germany since 1967 and, more significantly, by the longstanding farmer desire for higher grain prices.

The position of the West German Government on grain prices, still Germany's major agricultural issue, is of prime importance in the direction and shape of future EC policy. Minister Ertl played an important role in guiding price policy at a recent Council of Ministers' meeting in Brussels. Modest price increases were obtained for grains and larger carryover price boosts for livestock products.

The impact of long-term implementation of these price decisions on Germany's own policy, as well as the Community's, would be great, since Germany's share of the EC's agricultural output is greater for livestock products than for grain.

Of 1970 EC output, the Federal Republic produced 24.4 percent of total grain and only 19.1 percent of wheat, compared with 37.6 percent of total EC meat production. Specific product breakdowns show beef production at 30.6 percent of total Community production and pork at 46.5 percent. Milk output was 30.1 percent of total EC output and egg production accounted for 33.7 percent.

Moreover, projected production goals for Germany through 1980, set by the Federal Ministry of Agriculture, show that Germany's share of total EC grain output by 1980 will hold at about 25 percent, but the share of wheat will decline to 16.5 percent. The share of beef and veal is also expected to remain at the 1970 level, but pork production will rise to 48.7 percent of total EC output by 1980.

Thus, both current and projected data indicate that the German farmer would have greater income opportunities by expanding meat output, particu-

Right, a German farmer poses with his Brown Swiss bull. Far right, narrow steps of a small farmyard, typical of older farms in West Germany.

Left, German barley harvest. Grain prices are the current major issue in West German relations with the EC.

y's Farm Policies

; Impact on EC

larly pork, than by growing wheat. The implications that such a change in direction could have for price policies and farm programs are significant.

Even now, the largest share of the German farmer's income currently comes from the sale of livestock products. In 1968–69, 78.4 percent of total farm sales were livestock products, compared with 21.6 percent for crops. Grain accounted for only 8.1 percent of farm sales—a highly significant point considering the long-term support for high grain prices in Germany.

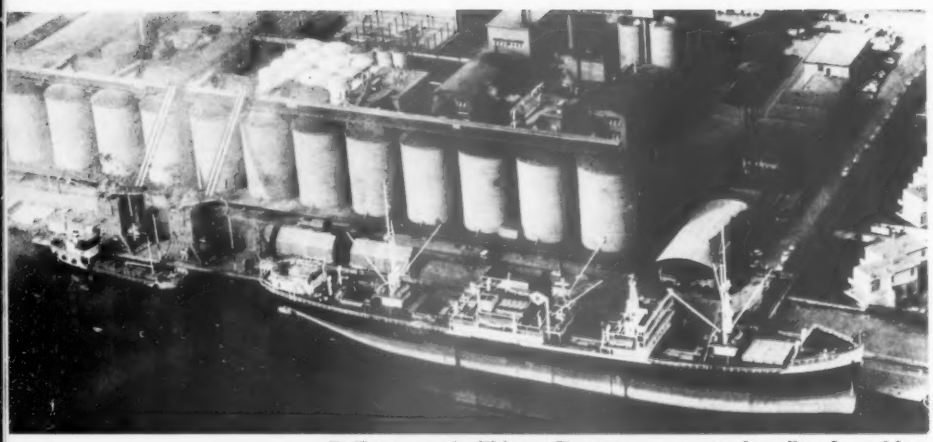
But a more important point is the increasing dependency of the German economy on grain imports to maintain its livestock base. For example, the 1970–71 food production index, which includes only edible products and feed for livestock, shows a 23-percent gain over the 1957–61 average but only a 10-percent gain if imported feeds, including oilcake and meal, are deducted. In other words, the growth of feed imports substantially exceeds Germany's gains in food output.

The growing importance of agricultural imports is more evident if measurements are put on a self-sufficiency basis. Germany was 76 percent self-sufficient in food in 1969–70 compared with the 1957–61 annual average of 77 percent. After imported feed is deducted, the self-sufficiency level in 1957–61 was 61 percent; 1970–71 data will probably show a self-sufficiency level below 60 percent.

Thus, with grain production becoming less important, there is a reason for Germany to move away from its long-held position of high grain prices toward stronger support of high-valued livestock products. Such a shift would give the country a greater comparative advantage and would follow the market orientation concept evidently envisaged by Minister Ertl. In this connection there is a long-needed review of existing price relationships of milk, meat, and grain.

Prices and structural changes in German agriculture as well as in the EC will accelerate more rapidly in the next few years, and it may be Germany's role to help direct agriculture toward the most efficient alternatives.

Top, West Germany's small, rolling farm plots. Above, pigs from German farms have been herded into modern pens. Below, U.S. soybeans are unloaded at a Hamburg dock.



Bulk storage facilities at Ravenna—a center for oilseed crushing.

Italy: $70-Million Market For U.S. Soybeans

By A. PAUL DANYLUK
Assistant U.S. Agricultural Attaché
Rome

U.S. agricultural exports to Italy are getting a strong boost from soybeans and their products. Since 1966, U.S. exports of these products have earned more than $70 million a year in the Italian market, or some 40 percent of total U.S. agricultural sales there.

Helping to sustain this growth has been the rapid expansion in Italy's livestock and meat industry and in its consumption of oilseed cake and meal. Currently that industry is consuming an estimated 1.1 million tons of cake and meal annually, or about 14 percent more than it did 5 years ago, and soybean cake and meal account for about 65 percent of this consumption.

In addition, soybean and other seed oils have enjoyed growing demand from consumers, who at one time bought mainly the higher priced olive oil.

The major world producer of soybeans, the United States is also the top exporter of soybeans and soybean products to Italy. During 1966–70, the United States supplied an average of 518,000 metric tons of beans a year, or 80 percent of Italy's soybean import. Other suppliers are Mainland China, with about 8 percent, and Brazil, with some 12 percent.

In addition to the beans, Italy also imports significant amounts of soybean cake and meal each year. In 1966–70, these imports averaged 200,000 tons a year, with 96 percent coming from the United States.

Total Italian imports of oilseeds between 1966 and 1970 averaged $162 million annually, of which $58 million, or 36 percent, was U.S. soybeans and small amounts of other U.S. oilseeds. Italian imports of oilseed cake and meal during that period averaged $24 million annually, with over $19 million from the United States.

Italian imports of soybeans are concentrated in the hands of a few firms, which have a virtual monopoly on the Italian market: although there are some 60 crushing and refining plants in Italy, about 75 percent of the production is in the hands of 10 major plants. These plants are modern and well located to ports of entry. They are also equipped to handle all types of oilseeds, which enables them to better utilize capacity and spread production over an entire year.

The industry's production of soybean cake and meal from imported beans has averaged 525,000 metric tons annually over the past 5 years. This combined with imported soybean cake and meal provides the feed industry with an average of 725,000 tons of these products annually.

Use of cake and meal as feeding ingredients is being bolstered by expansion and changing feeding practices in the livestock industry, which still has a long way to go if Italian farm-policy goals are to be met. Current goals are to increase meat production by some 4.8 percent a year; however, the actual rate of expansion is much below this target.

Of the red meats, consumers currently prefer veal, followed by beef. However, their liking for beef is rapidly increasing, and beeflot operations and beef production have taken hold among Italian farmers in recent years.

An extraction preparation unit.

Increased production has also been evident for heavy lamb and lean pork, with emphasis on consumption of fresh pork year-round rather than only in the winter months as in the past. Although poultry production is already at a reasonably high level, further expansion is anticipated in this industry, especially in guinea fowl and turkey.

Current per capita meat consumption is as follows: Beef (including veal), 50 pounds; pork, 20; sheep and goat meat, 2; poultry, rabbit, and game, 27. This consumption pattern, however, is not representative of all of Italy but is more typical of the upper income groups of the industrial north.

In the south consumption is much lower, and it is here where there is the greatest potential for increasing both meat production and consumption. The Government's efforts to expand industrialization in this region will no doubt increase the consumer purchasing power, which in turn will stimulate demand for meat. The possibility of introducing feedlot operations in the south has not yet been exploited, although the potential is there. Meat production within this area of rising demand is one of the main requirements if Italy is to maintain reasonable prices and avoid worsening its current meat-distribution problems.

Despite the expanding livestock industry and the rising demand for soybean cake and meal, prices of the products remained relatively stable during 1965–69, although averaging about 13 percent higher than for 1960–64. This trend of moderate price increases to reflect changing production and demand is expected to continue during the next 5 years.

As in the past, however, price stability will depend to a great extent on the efficiency of U.S. soybean producers. Their ability to produce a low-priced, high-quality bean made possible the expansion in Italy's livestock industry, and their ability to continue this—in the face of cost-price pressures—will have an important bearing on future developments in the Italian industry.

Another important factor will be continuation of the duty-free status for soybean imports into Italy—a member of the European Community.

A final stabilizing effect on soybean meal prices has been the ability of the Italian market to absorb the soybean oil obtained from crushed soybeans. Disposition of the oil has been further assisted by declining prices and increased per capita consumption of it and other seed oils.

Between 1965 and 1969, prices for crude soybean oil, without lecitin, declined nearly 30 percent from the 1960–64 average, while consumption of seed oils increased 43 percent.

Today, seed oils account for 35 percent of Italian fats and oils consumption, which also takes in olive oil, butter, and lard. While consumption of seed oils has increased sharply during the last 5 years, use of the other fats and oils has remained practically unchanged.

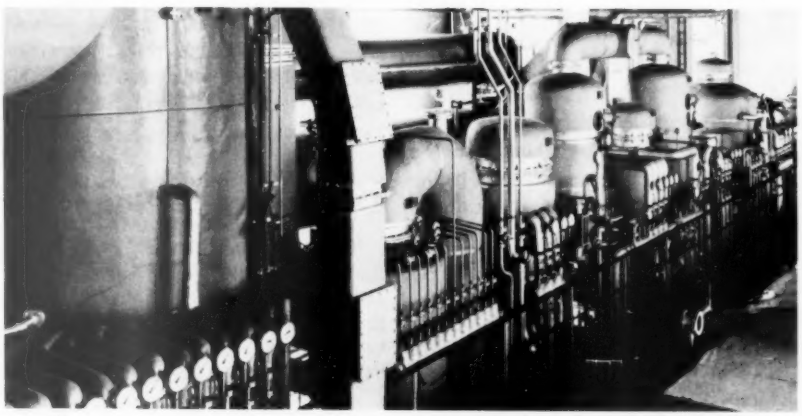
One drawback to soybean oil consumption is the fact that it is blended with other seed oils and cannot compete under its own name. However, the rising consumer demand for seed oils as a whole should enhance efforts to have this limitation withdrawn.

A final long-standing drawback is the strong competition from olive oil, a favorite among Italian consumers despite its high price.

How much more seed oil can be absorbed in consumption may be a determining factor in the future ratio between soybean and soybean meal and cake imports.

The signaling of change is evident in the trade data for the first 5 months of fiscal 1971. Although the trend of this short period may well be reversed, the data show that the value of soybean meal imports rose 62 percent above the fiscal 1970 level but that of soybeans fell to only 39 percent of the previous year's figure. In terms of volume, imports of soybean meal increased 34 percent, while imports of soybeans fell 50 percent. The combined value of soybeans and soybean cake and meal during the 5-month period declined nearly 10 percent from the value of imports during the same period in 1970.

In summary, market prospects in Italy continue to be favorable, but signs are beginning to appear of new trends which may require new approaches in U.S. export plans. Still continuing to favor U.S. soybean exports are little competition from other producing countries; strong demand for the development of Italy's livestock industry, which will require increased amounts of soybean meal; the availability in the United States of constant supplies at competitive prices; and easy entry into Italy for the U.S. soybean.



A continuous solvent extraction unit at plant in Ravenna.

ITALIAN TRADE IN OILSEEDS AND OILSEED CAKE AND MEAL

Item	1966	1967	1968	1969	1970	Average, 1966-70	Average share, 1966-70
	1,000	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	
OILSEEDS	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	*Percent*
Exports	*0.5*	*0.5*	*0.5*	*0.5*	—	*0.5*	—
Imports:							
From U.S.	52.2	57.8	58.6	50.8	72.0	58.1	35.8
Other	100.0	110.5	101.6	95.3	112.0	103.9	64.2
Total	152.2	168.3	160.2	146.1	184.0	162.0	100.0
CAKE & MEAL							
Exports	7.4	9.9	4.8	4.2	8.0	7.4	—
Imports:							
From U.S.	12.0	18.4	18.9	21.8	27.2	19.7	80.1
Other	5.3	5.6	4.9	4.1	4.8	4.9	19.9
Total	17.3	24.0	23.8	25.9	32.0	24.6	100.0

New U.K. Minimum Import Prices Applied to Meat and Dairy Products

Certain livestock and dairy products imported into the United Kingdom are now subject to the new minimum import price system as a result of action taken by the U.K. Government effective from July 1, 1971.

The first items regulated by the new system are fat cattle, beef, veal, and some milk products, and new import duties will be placed on mutton and lamb.

The new arrangements are the first stage of the Government's policy to shift the burden of support for British agriculture from the taxpayer to the consumer by insuring that market prices in the United Kingdom are not undermined by lower priced imports (*Foreign Agriculture*, May 10, 1971). The minimum import price system is also an important step in bringing the United Kingdom in line with the Common Agricultural Policy of the European Community which Britain plans to enter.

The new minimum import price program was effective for many milk products other than butter and cheese on July 1, 1971. To enforce these prices, imports of these milk products are subject to a variable levy which is normally the difference between the minimum import price and the lowest representative offering price. The actual levy is determined periodically by the Agriculture Ministry.

The minimum import prices per long ton are $842.40 for fresh, frozen, and preserved cream; $655.20 for whole milk powder, chocolate milk crumb with more than 40 percent by weight of milk solids, and cocoa and milk powder mixtures; $597.60 for canned cream; $492.00 for chocolate milk with 40 percent or less by weight of milk solids; $376.80 for skimmed milk powder, buttermilk and whey powder, and animal feed with more than 80 percent by weight of milk solids; $331.20 for animal feed with 40–80 percent by weight of milk solids; and $324 for evaporated and condensed milk.

Special agreements have been made to exempt some products from the new system including chocolate milk crumb, canned cream, and cocoa and milk mixtures from the European Free Trade Association; whole milk powder from Australia and New Zealand; and all imports of milk products from Ireland.

After July 3, 1971, imports of fat cattle and of beef and veal into the United Kingdom from all sources except Ireland are subject to a system of weekly minimum import prices supported by variable levies which are charged when necessary. If in any week the estimated average market price for fat cattle in the United Kingdom is lower than the weekly minimum import price, levies are charged during the following week on imports of fat cattle, beef, and veal.

Levies are charged, regardless of the actual price of imported meat, at the rates in force at the time of customs entry—or, if the meat has gone into bonded cold storage, at the rate in force when it is taken out of bond. The levy is based upon the difference between the estimated weekly average market price and the weekly minimum import price for fat cattle. There are 10 categories of beef and veal whose weekly minimum import prices maintain a constant relation to the price for fat cattle.

The U.K. Ministry of Agriculture has also announced that import duties have been imposed on fresh, chilled, and frozen mutton and lamb from all countries except Ireland. The duties are $1.12 a hundredweight from July 1 to December 31, 1971, $2.24 from January 1, 1972 to June 30, 1972, and $3.36 from July 1, 1972. The duty for bone-in mutton carcasses is one-half of these rates.

Banana Group Formed

Twenty-two banana-growing countries, accounting for 80 percent of bananas traded on world markets, have established a Standing Group of Exporting Countries which will seek to maintain a better balance between banana supply and demand.

Action will be taken by the new Group to curtail production, to increase sales to low-consumption countries, and to work for removal of high duties, taxes, and other international trade barriers.

Japan Imports Grapefruit From South Africa Under Quarantine Law Changes

The Japan Citrus Importers' Association, consisting of 78 firms, has announced plans to import 20,000 cases (18 kilograms per case) of South African grapefruit. This would mark the first importation of grapefruit from sources other than the United States and is made possible by changes in Japanese regulations governing plant quarantine that became effective April 1971.

In 1970, the Association imported 180,000 cases (266 metric tons) of South African oranges, following an earlier change in Japan's plant quarantine regulations that allowed such imports for the first time.

The Association is also pressing the Japanese Government to approve grapefruit imports from Israel, Spain, and Italy in an effort to diversify sources of supply as much as possible. Many importers feel, however, that the consistent high quality of U.S. grapefruit should help the United States to maintain its traditional dominance of the Japanese market.

Chianinas to Canada

Twenty-eight Chianina cattle—the first brought into North America from Italy—will be imported into Canada in September, according to the Italian White Cattle Association of Canada. The shipment will include 22 bulls.

Eighteen of the bulls—most of them owned by association members—will be distributed throughout the Provinces ranging from British Columbia on the Pacific coast to New Brunswick on the Atlantic. The four remaining bulls and six females—imported by the Canada Department of Agriculture—will be kept in Western Canada.

One outstanding characteristic of the new breed is rapid muscle growth to 2 years of age. Average yearling weight is in excess of 1,100 pounds.

The Italian White Cattle Association is an interim group pending final incorporation under the Canadian Livestock Pedigree Act. It is considering the possibility of registering, recording, and testing five Italian cattle breeds—the Chianina, Marchigiana, Romagnola, Marcemmano, and Piemontese.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	June 30	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	1.97	+1	1.96
USSR SKS-14	1.90	+1	(1)
Australian FAQ	1.78	0	1.75
U.S. No. 2 Dark Northern Spring:			
14 percent	1.97	+2	1.85
15 percent	2.02	+2	1.93
U.S. No. 2 Hard Winter:			
13.5 percent	1.88	−4	1.78
No. 3 Hard Amber Durum	1.80	0	1.82
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.76	−2	1.69
Feedgrains:			
U.S. No. 3 Yellow corn	1.76	0	1.71
Argentine Plate corn	1.82	+4	1.78
U.S. No. 2 sorghum	1.63	+1	1.46
Argentine-Granifero sorghum	1.62	+2	1.49
U.S. No. 3 Feed barley	1.30	+6	1.15
Soybeans:			
U.S. No. 2 Yellow	3.49	−1	3.30
EC import levies:			
Wheat	1.39	0	1.43
Corn [2]	.69	+6	.68
Sorghum [2]	.89	+7	.81

[1] Not quoted. [2] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Spanish Corn Production Up

Spain's corn production in 1970 totaled 2 million tons, a 56-percent increase over 1966 production. Because export demand has increased even more rapidly than production—mostly from the United States, Argentina, and France—Spain has had to rely largely on imports in order to meet domestic requirements. U.S. corn exports to Spain in 1969–70 totaled 816,000 metric tons.

Recently the Spanish Ministry of Agriculture announced a new program of assistance to corn farmers living in nine of the country's Provinces. Under the program, which will cover the 4-year period from 1971–72 through 1974–75, loans and subsidies will be granted to cover some corn production costs.

Farmers will be able to borrow money to buy seeds, fertilizer, and pesticides. The loans will carry an interest of 0.5 percent per month and be repayable prior to the first of January of the year following the date of the loan.

In addition, subsidies—ranging from 40 to 75 percent—will be paid to help farmers cover the cost of seeds, fertilizer, and pesticides. A subsidy of 40 percent will be available to help cover the costs of silo construction.

Australia Selling More Wheat to Mid-East

Australian wheat exports to the Middle East, a relatively new market for the Australians, may amount to about one-fifth of the total exported this year. Australia shipped 1.4 million metric tons of wheat and flour to the Middle East during July-March 1970–71, compared with only 352,800 in the same period a year earlier.

The big increases have been in shipments to the United Arab Republic, Iraq, and Iran. The Iran and Iraq business results mainly from earlier drought conditions, but the U.A.R., a new customer for Australia, is now a regular importer of about 2.5 million tons annually.

Australians Breed Dwarf Wheat Variety

Wheat breeders at the Wagga Wagga Agricultural Research Institute in New South Wales, Australia, have developed a new crossbred high-yielding wheat variety.

It is a semidwarf variety bred from Mexican parent stock that has been under study at the Institute for some time. This is the first new variety developed at Wagga Wagga based wholly on foreign plant material.

The overall significance of the new variety for the Australian wheat industry is as yet uncertain. If it lives up to early indications, it could yield up to 100 bushels per acre under irrigation. This would substantially lower the per-bushel cost of production.

Multiplication of the new seed is now in progress, but it is not expected to be commercially available for another 3 years.

Fruits, Nuts, and Vegetables

Indian Cashew Processors Import Less

The Indian Government's decision to import raw cashew nuts through the State Trading Corporation (STC) was implemented in October 1970. Since that time, conditions within the industry can only be described as difficult.

African suppliers of raw cashew nuts, seeing the proposed change as an opportunity to improve their marketing position, revised their sales format to an "as is, how is" basis shortly before the decision was finalized. This action relieved the shippers of all responsibility regarding the quality or condition of goods shipped. A dispute arose immediately over sale terms.

The result was a drastic reduction in Indian imports, severely hindering the Indian processing industry, which depends upon imports for 60 percent of its raw materials. Imports during the final quarter of 1970 totaled 20,000 tons, compared with 55,000 tons in the corresponding period of 1969.

The State of Kerala, one of India's most important cashew processing regions, has been hit especially hard. Of the 260 cashew processing plants in the State, 220 are reported closed, with thousands of employees laid off. The primary reasons cited for the situation are shortage of raw nuts and "unreasonable" wage rates established by the Kerala State Government.

Processors, attempting to circumvent the stringent labor laws and minimum wage, are moving their operations out of Kerala to neighboring States as well as having cashews processed in private dwellings. In an effort to aid those idled by the plant closings, the Kerala State Cashew Development Corporation (KSCDC) has taken over 15 of the plants, operating them as State organizations. In New Delhi on May 13, it was announced that Central Government funds would be made available to finance the takeover of an additional 10 plants.

The dispute with the African exporters has reportedly been settled, with trade data released by the STC indicating that imports during the first quarter of 1971 (totaling nearly 83,000 tons) were sufficient for industry needs. The State Trading Corporation is reported to have contracted for all of Tanzania's surplus 1971 production (placed at 105,000 tons), and is presently negotiating contacts with Mozambique for an additional 60,000 tons. Approximately 70,000 tons of Tanzanian nuts have been delivered; however, trade sources believe the remaining 35,000 tons are of substandard quality.

Different responses are voiced in reply to the question, "Why is there a cashew crisis?" Processors state that they are unable to obtain enough raw nuts for economical operations. Officials of the STC and KSCDC emphasize that sufficient supplies of raw nuts are available: The difficulty lies with the processors, who are attempting to show that the Government's takeover of cashew imports was an error.

Australians Perfect Hop Extract Process

One of Australia's major breweries recently announced a breakthrough in the production of a stable hop extract deemed suitable for the export market. Negotiations are now in progress between the firm and several Asian breweries which, if successful, will provide a market for up to 50 percent of projected output.

Company representatives are also involved in discussions with interests in the United States and Europe concerning possible licensing agreements. If these talks succeed, the severe surplus problem currently faced by Australian hop producers could be eased.

Large Spanish Almond Crop Forecast

Although the full extent of the damage caused by frost in March is not known, the Spanish trade expects a large 1971 almond crop totaling 35,000 short tons (kernel-weight basis). Recent plantings, just coming into bearing, are expected to help offset the frost damage. Industry officials report that farmers in Lerida Province have requested Government aid to replace their olive plantings with almonds in an area that totals approximately 12,000 acres.

Exports during the 1969–70 season (September-August) fell sharply because of the poor 1969 crop. Preliminary data places 1969–70 exports at 14,000 tons, almost 50 percent below the 1968–69 level of 27,800 tons. Exports during the 1970–71 season are projected to be 18,500 tons.

Moroccan Almond Crop Damaged by Rain

Heavy rain during April and May has caused extensive damage (in the form of rot and early fruit dropping) to Morocco's 1971 almond crop. The forecast is currently at 2,500 short tons, 17 percent below the small harvest of 1970. Production could be considerably less if the rain continues.

Portuguese Almond Prospects Good

Following excellent spring weather, Portugal's 1971 almond crop is forecast at 8,000 short tons (kernel-weight basis), 27 percent above 1970's record 6,300-ton harvest. Production during 1970 in the southern Province of Algarve is placed at 3,200 tons, with 5,000 tons expected in 1971. In the northern areas of the Douro, 1971 production is forecast at 3,000 tons, slightly below last season.

Exports during the 1970–71 season (September-August) are expected to total 5,000 tons, well above the 1,892 tons shipped overseas in 1969–70. Sweden and the United Kingdon continue to be Portugal's leading almond markets.

Fats, Oils, and Oilseeds

Norway Buys More U.S. Soybeans

Norway is rapidly becoming a major market for U.S. soybeans. Purchases of U.S. beans in 1971 are expected to increase 20 to 25 percent from the 1970 level of 182,000 tons. While total 1970 imports from all sources at 183,000 tons exceeded those of 1969 by only 3 percent, purchases from the United States were up 12 percent. Norway's total soybean imports a decade ago were only 66,000 tons.

The long-term outlook for purchases of U.S. soybeans is favorable, particularly with the declining availability of marine and fish oils. In anticipation of the growth in demand for vegetable oils, Norwegian crushers expect to increase capacity to 225,000 tons in 1971. The demand in Norway for soybean oil is strong and growing mainly because of the rapid growth in the margarine industry and the switch to all-vegetable margarines.

Norway is a surplus producer of soybean meal. Only about 60 percent of the meal is consumed within the country. Norway's exports of soybean meal have climbed from less than 7,000 tons in 1961 to 58,000 tons in 1970.

Southern Hemisphere Peanut Production Up

Southern Hemisphere peanut production this year may exceed last year's tonnage by about 17 percent—232,000 metric tons in-shell basis, or the equivalent of about 74,000 tons of oil. Sharp increases expected in Argentina and South Africa will far exceed a possible decline in Brazil.

Argentina's excellent crop is estimated at 370,000 tons com-

pared with 234,000 tons in 1970, and the record production of 439,000 tons in 1965. South Africa's crop is officially estimated at an alltime high of 429,000 tons compared with 303,000 tons a year ago and the previous record production of 419,000 tons in 1967.

In contrast, trade sources expect Brazil's crop to be down to an estimated 780,000 tons against 810,000 tons in 1970 and the record 895,000-ton output in 1966.

Sugar and Tropical Products

Pakistan Bans Sugar Exports

The Government of Pakistan has banned the export of sugar for fiscal 1972 in an effort to counter the abnormal rise in prices of the past few weeks. During fiscal 1970 and part of 1971, sugar exports were permitted, and inquiries were made as to the possibility of an allotment for Pakistan under the U.S. sugar quota.

Pakistan's sugar production in fiscal 1971 was estimated at 511,000 metric tons, down from 612,000 tons in 1970. From the total 1970 production about 100,000 tons was considered as surplus to domestic needs and was available for export. In December 1970 the last of this sugar was exported; there have been no sugar exports since then.

The Government of Pakistan plans to maintain stocks at around 70,000 tons to meet any shortages and to stabilize prices. Production from fiscal 1971 should be sufficient to meet any domestic needs and to build up the "buffer" stocks of approximately 70,000 tons.

Dairy and Poultry

Price of New Zealand Cheese in Britain Up

The price of New Zealand cheese on the United Kingdom market was recently increased 2.14 cents a pound to 33.6 cents a pound ex store. The new price for 40-pound rindless cheese is the highest price ever reached on the British market. If the price is constant, the increase in overseas exchange earnings to the New Zealand Dairy Board over a 12-month period will amount to an estimated US$3.36 million.

In September 1970, the price of New Zealand Cheddar cheese on the United Kingdom market was increased by 1.6 cents a pound.

New Zealand Butter Prices High

The New Zealand Dairy Board announced recently that the price of New Zealand butter on the British market has been increased to 45 cents a pound, the highest price ever charged. In early March the price was increased from 35.3 cents a pound to 37.5 cents a pound, and another rise to 39.6 cents followed in mid-April. The latest increase puts the price above the previous 44-cent record highs reached in 1954 and 1959.

The price increase follows action by the British Government on April 29 suspending the butter quota system for 2 months and allowing importers to buy butter from anywhere in the world, except Rhodesia. The quota was suspended because Australia and New Zealand were unable to keep the British market well supplied.

New Zealand's 1970–71 butter production is just beginning to come up to that of 1969–70, when production was the lowest since 1963–64.

Newcastle Disease Infects French Poultry

An outbreak of Newcastle disease resulted in the loss of part of the French poultry industry's export trade with Switzerland and caused serious damage to the country's flocks.

Originally, Switzerland only embargoed shipments of poultry that came from the French Department of Ain near Geneva. But, because of the increased intensity of the disease, on April 30 the Swiss Federal Veterinary Service extended the ban to the entire country.

By early June, the ban on French poultry contributed to a shortage of unfrozen poultry on the Swiss market, and imports from Italy were brought in to help fill the gap.

Newcastle disease had infected 40 of France's 90 Departments by mid-May and affected about 1,000 producers. Some 1.3 million birds were reportedly slaughtered by May 15, but the number of outbreaks seemed to be decreasing.

In order to reduce the loss suffered by poultry producers, the French Ministry of Agriculture paid a premium of 27 cents per head for birds slaughtered to eliminate the disease. About 13 cents was paid to producers who had birds seized in areas other than declared outbreak areas.

In order to receive the Government payment, producers had to belong to a producers' organization, disinfect their installations according to French Veterinary Service standards, and vaccinate their remaining birds.

Crops and Markets Index

Dairy and Poultry
15 Price of New Zealand Cheese in Britain Up
15 New Zealand Butter Prices High
15 Newcastle Disease Infects French Poultry

Fats, Oils, and Oilseeds
14 Norway Buys More U.S. Soybeans
14 Southern Hemisphere Peanut Production Up

Fruits, Nuts, and Vegetables
13 Indian Cashew Processors Import Less
14 Australians Perfect Hop Extract Process
14 Large Spanish Almond Crop Forecast
14 Moroccan Almond Crop Damaged by Rain
14 Portuguese Almond Prospects Good

Grains, Feeds, Pulses, and Seeds
13 Rotterdam Grain Prices and Levies
13 Spanish Corn Production Up
13 Australia Selling More Wheat to Mid-East
13 Australians Breed Dwarf Wheat Variety

Sugar and Tropical Products
15 Pakistan Bans Sugar Exports

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Foreign Agriculture

EC Prospects for British Apples and Pears

The outlook for the English fruit grower, if and when the United Kingdom joins the European Community (EC), is discouraging for all but the largest and most efficient growers. This is especially true for those not using modern marketing and packaging techniques, according to a recent report from the Apple and Pear Development Council.

The report, entitled "The English Apple and Pear Industry and the EC," notes that parts of the Community, particularly Italy and southern France, are well suited to producing high yields of dessert apples and pears because of long hours of sunshine and favorable temperatures. By contrast, British fruit growers have to contend with the risk of spring frosts, lack of warm summer sunshine, and gales and rainstorms during the harvest period.

Furthermore, in France and to some extent in Italy, plantings of apple and pear trees have been increasing. During the last 20 years, production of dessert apples in France has gone up fourfold —from 420,000 tons to around 1.7 million tons—while Italian production has increased from 806,000 tons to 1.8–1.9 million tons, according to the report.

U.K. dessert apple production, meanwhile, has fluctuated widely between 280,000 tons and 500,000 tons, owing to marked variations in yields because of British climatic conditions.

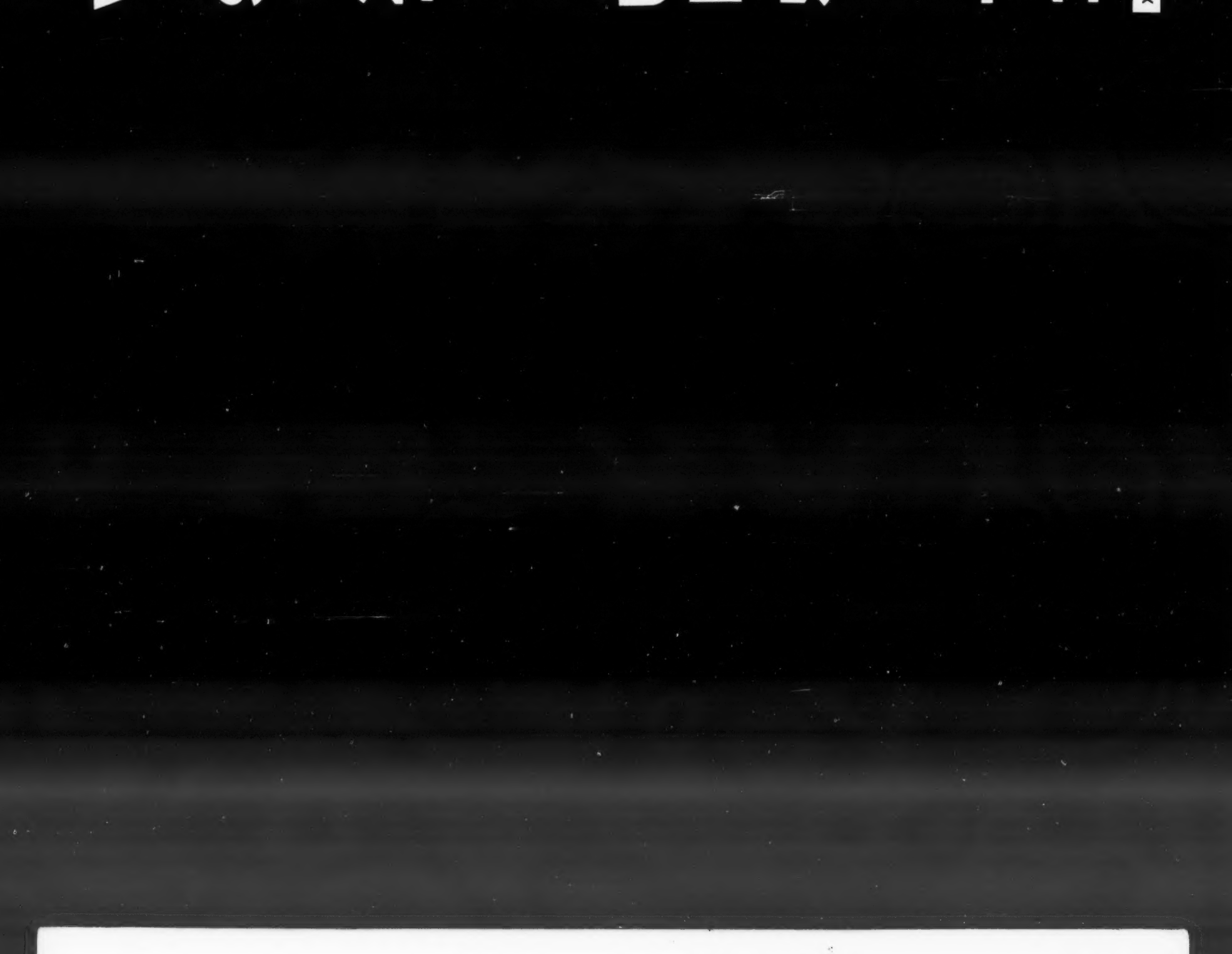
The report forecasts that when EC fruit has unlimited access to the British market, British-grown apples will bring only 7.1–9.7 U.S. cents per pound. This compares with 10.8–13.6 cents received in recent years for Class 1 Cox's Orange Pippins, which make up 50 percent of British dessert apple production. The British apple grower will be at a particular disadvantage between harvest and Christmas when the availability of apples from all European sources is at its peak.

Less discouraging to the British apple grower is that Cox's Orange Pippin normally commands a premium over imported fruit because of its size, appearance, and flavor, according to the report. Also, because of the lower priced apple and pear market resulting from EC membership, consumption should increase at a faster rate than the present 1.75 percent a year, and British growers should benefit from this increased demand.

"Apple Girls" of the Apple and Pear Development Council have boosted British homegrown fruit sales.

In addition, European growers are at present receiving prices so low that production in some areas is rendered uneconomical, and, by the time the transition period for British entry is over, some of these orchards may have ceased production, helping to lessen the surplus problem and raise prices.

Nonspecialized British growers without sophisticated storage facilities and not using modern marketing techniques are bound to go out of production, the report concludes. Specialized growers, however, should benefit from their proximity to U.K. markets and from the popularity of Cox's.

It is expected that demand for culinary varieties of apples and pears will be unaffected by entry into the EC although prices of these varieties will decline in sympathy with those for dessert apples. The report holds out little hope for exports of British Cox's to European markets because of the low prices prevailing there for European varieties of dessert apples. Homegrown pears are likely to be even more vulnerable than apples on the U.K. market while export prospects are probably nonexistent.

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